



## Senate

General Assembly

**File No. 497**

*January Session, 2007*

Substitute Senate Bill No. 1432

*Senate, April 16, 2007*

The Committee on Government Administration and Elections reported through SEN. SLOSSBERG of the 14th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

### ***AN ACT CONCERNING GLOBAL WARMING.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1       Section 1. (NEW) (*Effective from passage*) There shall be established a  
2       pilot program regarding a local option municipal conveyance tax for  
3       certain community preservation and investment purposes. Any  
4       municipality may impose a buyer's tax on any conveyance of real  
5       property made during the period commencing July 1, 2007, and ending  
6       September 30, 2012. Such tax may be imposed at the rate of not more  
7       than one-half of one per cent of the consideration paid by the buyer in  
8       excess of one hundred fifty thousand dollars except that any transfer  
9       made for the purpose of the preservation or maintenance of open  
10      space land, forest or farm land, including, but not limited to, transfers  
11      between farmers and land trusts, shall be exempt from such tax. Such  
12      tax shall be retained by the municipality, shall be kept in a separate  
13      account and shall be used for any of the following purposes, at the  
14      option of the municipality upon approval of the Commissioner of

15 Environmental Protection: (A) Purchase or protection of open space  
16 land, forest or farm land by the municipality or by the municipality in  
17 cooperation with the state or federal government or with a private  
18 organization such as a land trust, (B) purchase or protection of land  
19 used for recreation, including land for playing fields, beaches and  
20 shoreline access, (C) purchase or protection of interests in real property  
21 to establish access to public trust waters, (D) brownfield remediation,  
22 (E) purchase of property or development rights for affordable housing,  
23 (F) clean water projects, (G) clean air projects, (H) energy conservation  
24 projects, or (I) clean energy projects.

25 Sec. 2. Section 4a-67d of the general statutes is repealed and the  
26 following is substituted in lieu thereof (*Effective from passage*):

27 (a) The fleet average for cars or light duty trucks purchased by the  
28 state shall: (1) On and after October 1, 2001, have a United States  
29 Environmental Protection Agency estimated highway gasoline mileage  
30 rating of at least thirty-five miles per gallon and on and after January 1,  
31 2003, have a United States Environmental Protection Agency estimated  
32 highway gasoline mileage rating of at least forty miles per gallon, (2)  
33 comply with the requirements set forth in 10 CFR 490 concerning the  
34 percentage of alternative-fueled vehicles required in the state motor  
35 vehicle fleet, and (3) obtain the best achievable mileage per pound of  
36 carbon dioxide emitted in its class. The alternative-fueled vehicles  
37 purchased by the state to comply with said requirements shall be  
38 capable of operating on natural gas or electricity or any other system  
39 acceptable to the United States Department of Energy that operates on  
40 fuel that is available in the state.

41 (b) Notwithstanding any other provisions of this section, (1) on and  
42 after January 1, 2008, any car or light duty truck purchased by the state  
43 shall have an efficiency rating that is in the top third of all vehicles in  
44 such purchased vehicle's class and fifty per cent of such cars and light  
45 duty trucks shall be an alternative fueled, hybrid electric or plug-in  
46 electric vehicle, and (2) on and after January 1, 2010, any car or light  
47 duty truck purchased by the state shall have an efficiency rating that is

48 in the top third of all vehicles in such purchased vehicle's class and be  
49 an alternative fueled, hybrid electric or plug-in electric vehicle.

50 [(b)] (c) The provisions of [subsection (a)] subsections (a) and (b) of  
51 this section shall not apply to cars or light duty trucks purchased for  
52 law enforcement or other special use purposes as designated by the  
53 Department of Administrative Services.

54 [(c)] (d) As used in this section, the terms "car" and "light duty  
55 truck" shall be as defined in the United States Department of Energy  
56 Publication DOE/CE -0019/8, or any successor publication.

57 Sec. 3. Section 16a-32a of the general statutes is repealed and the  
58 following is substituted in lieu thereof (*Effective from passage*):

59 The Office of Policy and Management shall amend the state plan of  
60 conservation and development adopted pursuant to this chapter to  
61 include therein a goal for reducing carbon dioxide emissions within  
62 this state in accordance with the state's agreement with the Climate  
63 Change Action Plan adopted by the Conference of New England  
64 Governors and Canadian Premiers. [Said office, in consultation with  
65 the Department of Environmental Protection, shall submit a report to  
66 the General Assembly on or before the thirtieth day following May 22,  
67 1995, on or before May 1, 1996, and annually thereafter, which details  
68 the net amount of carbon dioxide emitted annually within this state.  
69 Subsequent to the May 1, 2000, submittal, said report shall be  
70 submitted every three years with the first such report due May 1,  
71 2003.]

72 Sec. 4. (*Effective from passage*) On or before February 1, 2008, the  
73 Connecticut Academy of Science and Engineering, in consultation with  
74 the state Department of Environmental Protection, shall submit a  
75 written report regarding the expected effects of climate change on  
76 Connecticut and including recommendations on what the state should  
77 do to prepare for such effects to the joint standing committee of the  
78 General Assembly having cognizance of matters relating to the  
79 environment in accordance with the provisions of section 11-4a of the

80 general statutes.

81       Sec. 5. (NEW) (*Effective from passage*) The Commissioner of  
82 Environmental Protection shall study the potential for integrating  
83 motorized fleets into the cap and trade mechanism of the Northeast  
84 Regional Greenhouse Gas Initiative, and not later than January 1, 2008,  
85 the commissioner shall submit a written recommendation concerning  
86 what legislative action would be necessary to include transportation  
87 sources of climate change gases into regional cap and trade agreements  
88 to the joint standing committee of the General Assembly having  
89 cognizance of matters relating to the environment in accordance with  
90 the provisions of section 11-4a of the general statutes.

91       Sec. 6. (NEW) (*Effective October 1, 2007*) (a) The Commissioner of  
92 Environmental Protection shall study the availability of energy  
93 efficient lamps such as compact fluorescent lamps, halogen lamps and  
94 high-intensity discharge lamps at competitive prices for consumers  
95 and compile a list of inefficient incandescent lamps. Not later than  
96 April 1, 2008, the commissioner shall give notice of the preliminary  
97 draft of such list. Such notice shall: (1) Be posted on the Department of  
98 Environmental Protection's Internet web site, (2) be published in one  
99 or more newspapers having a general circulation in the state, and (3)  
100 contain when, where and how interested parties may present their  
101 views on the preliminary draft. The commissioner may revise such list  
102 based upon written or oral comments received in response to the  
103 preliminary draft. Not later than sixty-five days after the publication of  
104 the notice of the preliminary draft and not less than twenty days before  
105 publishing the final list on the department's Internet web site, the  
106 Department of Environmental Protection shall reach a decision on the  
107 content of the final list and shall mail to all persons who have  
108 submitted written comments in response to the preliminary draft and  
109 who have requested notification, a notice that the department has  
110 reached a final decision, detailing the contents of the final list, and a  
111 statement of its reasons for its final decision. For the purposes of this  
112 section, "incandescent lamp" means a light bulb of not less than forty  
113 watts and not more than one hundred watts with a medium screw

114 base that operates at not less than one hundred fifteen volts and not  
115 more than one hundred thirty volts.

116 (b) Not later than two years after the Commissioner of  
117 Environmental Protection posts such a list on the Department of  
118 Environmental Protection's web site, no retailer or wholesaler shall sell  
119 any lamp classified on such list. The Commissioner of Environmental  
120 Protection shall issue a written warning to any retailer or wholesaler  
121 who violates this subsection. Not later than thirty days after the  
122 Commissioner of Environmental Protection issues such a warning, the  
123 wholesaler or retailer shall pay a fine of not more than one hundred  
124 dollars for each sale of an inefficient incandescent lamp subsequent to  
125 the receipt of such warning.

126 Sec. 7. (NEW) (*Effective October 1, 2007, and applicable to sales*  
127 *occurring on or after said date*) There is hereby imposed a surcharge of  
128 ten cents on each sale of an incandescent lamp. Said surcharge shall be  
129 in addition to any tax otherwise applicable to any such transaction. On  
130 or after October 1, 2007, each retailer who collects such surcharge shall  
131 remit the total amount of the surcharge collected each calendar quarter  
132 to the Comptroller for deposit in the Renewable Energy Investment  
133 Fund created under section 16-245n of the general statutes. For the  
134 purposes of this section, "incandescent lamp" means a light bulb of not  
135 less than forty watts and not more than one hundred watts with a  
136 medium screw base that operates at not less than one hundred fifteen  
137 volts and not more than one hundred thirty volts.

138 Sec. 8. Section 12-81 of the general statutes is amended by adding  
139 subdivision (77) as follows (*Effective July 1, 2007, and applicable to*  
140 *assessment years commencing on or after July 1, 2007*):

141 (NEW) (77) Any hybrid passenger car, as defined in subdivision  
142 (115) of section 12-412, purchased on or after July 1, 2007.

143 Sec. 9. Section 12-217 of the general statutes is repealed and the  
144 following is substituted in lieu thereof (*Effective October 1, 2007*):

145 (a) (1) In arriving at net income as defined in section 12-213, whether  
146 or not the taxpayer is taxable under the federal corporation net income  
147 tax, there shall be deducted from gross income, (A) all items deductible  
148 under the Internal Revenue Code effective and in force on the last day  
149 of the income year except (i) any taxes imposed under the provisions  
150 of this chapter which are paid or accrued in the income year and in the  
151 income year commencing January 1, 1989, and thereafter, any taxes in  
152 any state of the United States or any political subdivision of such state,  
153 or the District of Columbia, imposed on or measured by the income or  
154 profits of a corporation which are paid or accrued in the income year,  
155 and (ii) deductions for depreciation, which shall be allowed as  
156 provided in subsection (b) of this section, and (B) additionally, in the  
157 case of a regulated investment company, the sum of (i) the exempt-  
158 interest dividends, as defined in the Internal Revenue Code, and (ii)  
159 expenses, bond premium, and interest related to tax-exempt income  
160 that are disallowed as deductions under the Internal Revenue Code,  
161 and (C) in the case of a taxpayer maintaining an international banking  
162 facility as defined in the laws of the United States or the regulations of  
163 the Board of Governors of the Federal Reserve System, as either may  
164 be amended from time to time, the gross income attributable to the  
165 international banking facility, provided, no expense or loss attributable  
166 to the international banking facility shall be a deduction under any  
167 provision of this section, and (D) additionally, in the case of all  
168 taxpayers, all dividends as defined in the Internal Revenue Code  
169 effective and in force on the last day of the income year not otherwise  
170 deducted from gross income, including dividends received from a  
171 DISC or former DISC as defined in Section 992 of the Internal Revenue  
172 Code and dividends deemed to have been distributed by a DISC or  
173 former DISC as provided in Section 995 of said Internal Revenue Code,  
174 other than thirty per cent of dividends received from a domestic  
175 corporation in which the taxpayer owns less than twenty per cent of  
176 the total voting power and value of the stock of such corporation, and  
177 (E) additionally, in the case of all taxpayers, the value of any capital  
178 gain realized from the sale of any land, or interest in land, to the state,  
179 any political subdivision of the state, or to any nonprofit land

180 conservation organization where such land is to be permanently  
181 preserved as protected open space or to a water company, as defined  
182 in section 25-32a, where such land is to be permanently preserved as  
183 protected open space or as Class I or Class II water company land.

184 (2) No deduction shall be allowed for (A) expenses related to  
185 dividends which are allowable as a deduction or credit under the  
186 Internal Revenue Code, and (B) federal taxes on income or profits,  
187 losses of other calendar or fiscal years, retroactive to include all  
188 calendar or fiscal years beginning after January 1, 1935, interest  
189 received from federal, state and local government securities, if any  
190 such deductions are allowed by the federal government.

191 (3) Notwithstanding any provision of this section to the contrary, no  
192 dividend received from a real estate investment trust shall be  
193 deductible under this section by the recipient unless the dividend is:  
194 (A) Deductible under Section 243 of the Internal Revenue Code; or (B)  
195 received by a qualified dividend recipient from a qualified real estate  
196 investment trust and, as of the last day of the period for which such  
197 dividend is paid, persons, not including the qualified dividend  
198 recipient or any person that is either a related person to, or an  
199 employee or director of, the qualified dividend recipient, have  
200 outstanding cash capital contributions to the qualified real estate  
201 investment trust that, in the aggregate, exceed five per cent of the fair  
202 market value of the aggregate real estate assets, valued as of the last  
203 day of the period for which such dividend is paid, then held by the  
204 qualified real estate investment trust. For purposes of this section, a  
205 "related person" is as defined in subdivision (7) of subsection (a) of  
206 section 12-217m, "real estate assets" is as defined in Section 856 of the  
207 Internal Revenue Code, a "qualified dividend recipient" means a  
208 dividend recipient who has invested in a qualified real estate  
209 investment trust prior to April 1, 1997, and a "qualified real estate  
210 investment trust" means an entity that both was incorporated and had  
211 contributed to it a minimum of five hundred million dollars worth of  
212 real estate assets prior to April 1, 1997, and that elects to be a real estate  
213 investment trust under Section 856 of the Internal Revenue Code prior

214 to April 1, 1998.

215 (4) Notwithstanding anything in this section to the contrary, (A) any  
216 excess of the deductions provided in this section for any income year  
217 commencing on or after January 1, 1973, over the gross income for  
218 such year or the amount of such excess apportioned to this state under  
219 the provisions of section 12-218, shall be an operating loss of such  
220 income year and shall be deductible as an operating loss carry-over for  
221 operating losses incurred prior to income years commencing January  
222 1, 2000, in each of the five income years following such loss year, and  
223 for operating losses incurred in income years commencing on or after  
224 January 1, 2000, in each of the twenty income years following such loss  
225 year, provided the portion of such operating loss which may be  
226 deducted as an operating loss carry-over in any income year following  
227 such loss year shall be limited to the lesser of (i) any net income greater  
228 than zero of such income year following such loss year, or in the case  
229 of a company entitled to apportion its net income under the provisions  
230 of section 12-218, the amount of such net income which is apportioned  
231 to this state pursuant thereto, or (ii) the excess, if any, of such  
232 operating loss over the total of such net income for each of any prior  
233 income years following such loss year, such net income of each of such  
234 prior income years following such loss year for such purposes being  
235 computed without regard to any operating loss carry-over from such  
236 loss year allowed by this subparagraph and being regarded as not less  
237 than zero, and provided, further, the operating loss of any income year  
238 shall be deducted in any subsequent year, to the extent available  
239 therefor, before the operating loss of any subsequent income year is  
240 deducted, and (B) any net capital loss, as defined in the Internal  
241 Revenue Code effective and in force on the last day of the income year,  
242 for any income year commencing on or after January 1, 1973, shall be  
243 allowed as a capital loss carry-over to reduce, but not below zero, any  
244 net capital gain, as so defined, in each of the five following income  
245 years, in order of sequence, to the extent not exhausted by the net  
246 capital gain of any of the preceding of such five following income  
247 years, and (C) any net capital losses allowed and carried forward from  
248 prior years to income years beginning on or after January 1, 1973, for



249 federal income tax purposes by companies entitled to a deduction for  
250 dividends paid under the Internal Revenue Code other than  
251 companies subject to the gross earnings taxes imposed under chapters  
252 211 and 212, shall be allowed as a capital loss carry-over.

253 (5) This section shall not apply to a life insurance company as  
254 defined in the Internal Revenue Code effective and in force on the last  
255 day of the income year. For purposes of this section, the unpaid loss  
256 reserve adjustment required for nonlife insurance companies under the  
257 provisions of Section 832(b)(5) of the Internal Revenue Code of 1986, or  
258 any subsequent corresponding internal revenue code of the United  
259 States, as from time to time amended, shall be applied without making  
260 the adjustment in Subparagraph (B) of said Section 832(b)(5).

261 (b) For purposes of determining net income under this section, the  
262 deduction allowed for depreciation shall be determined as provided  
263 under the Internal Revenue Code of 1986, or any subsequent  
264 corresponding internal revenue code of the United States, as from time  
265 to time amended, provided in making such determination, the  
266 provisions of Section 168(k) of said code shall not apply.

267 (c) (1) Notwithstanding the provisions of subsections (a) and (b) of  
268 this section, "net income", in the case of an S corporation, means the  
269 percentage of the nonseparately computed income or loss, as defined  
270 in Section 1366(a)(2) of the Internal Revenue Code, of such S  
271 corporation, without separate state adjustment pursuant to section  
272 12-233 or 12-226a for the compensation of any officer or employee, to  
273 which shall be added (A) any taxes imposed under the provisions of  
274 this chapter which are paid or accrued in the income year and (B) any  
275 taxes in any state of the United States or any political subdivision of  
276 such state, or the District of Columbia, imposed on or measured by the  
277 income or profits of a corporation which are paid or accrued in the  
278 income year as provided in subdivision (2) of this subsection.

279 (2) For income years commencing prior to January 1, 1997, "net  
280 income" means one hundred per cent of the amount computed under  
281 subdivision (1) of this subsection; for income years commencing on or

282 after January 1, 1997, and prior to January 1, 1998, "net income" means  
283 ninety per cent of the amount computed under subdivision (1) of this  
284 subsection; for income years commencing on or after January 1, 1998,  
285 and prior to January 1, 1999, "net income" means seventy-five per cent  
286 of the amount computed under subdivision (1) of this subsection; for  
287 income years commencing on or after January 1, 1999, and prior to  
288 January 1, 2000, "net income" means fifty-five per cent of the amount  
289 computed under subdivision (1) of this subsection; for income years  
290 commencing on or after January 1, 2000, and prior to January 1, 2001,  
291 "net income" means thirty per cent of the amount computed under  
292 subdivision (1) of this subsection; for income years commencing on or  
293 after January 1, 2001, net income of S corporations as computed under  
294 subdivision (1) of this subsection shall not be subject to the tax under  
295 this chapter. Any S corporation subject to the tax on net income as  
296 provided in this section shall be eligible for any credit against the tax  
297 otherwise available to taxpayers under this chapter only to the extent  
298 and in the same percentage as net income of such S corporation is  
299 subject to taxation under this chapter, except that any S corporation  
300 with an income year commencing on or after January 1, 1999, but  
301 before December 31, 2000, shall be eligible for the entire credit  
302 available under sections 8-395, 12-633, 12-634, 12-635 and 12-635a.

303 (d) Notwithstanding the provisions of subsections (a) and (b) of this  
304 section, "net income" shall not include: (1) Twenty per cent of the total  
305 proceeds received from the sale of greenhouse gas emission credits on  
306 or after January 1, 2008, (2) forty per cent of the total proceeds received  
307 from such sale on or after January 1, 2009, (3) sixty per cent of the total  
308 proceeds received from such sale on or after January 1, 2010, (4) eighty  
309 per cent of the total proceeds received from such sale on or after  
310 January 1, 2011, and (5) any proceeds from the sale of greenhouse gas  
311 emission credits on or after January 1, 2012.

312 ~~[(d)]~~ (e) The commissioner may adopt regulations in accordance  
313 with chapter 54, relating to mergers or consolidations of corporations  
314 providing for the deduction, by the surviving or new corporation  
315 provided for in the plan of consolidation, of operating losses that were

316 incurred by a merging or consolidating corporation, respectively,  
 317 before the merger or consolidation, respectively. Such regulations may  
 318 follow the provisions of the Internal Revenue Code of 1986, or any  
 319 subsequent corresponding internal revenue code of the United States,  
 320 as from time to time amended, or the regulations thereunder.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage</i>	4a-67d
Sec. 3	<i>from passage</i>	16a-32a
Sec. 4	<i>from passage</i>	New section
Sec. 5	<i>from passage</i>	New section
Sec. 6	<i>October 1, 2007</i>	New section
Sec. 7	<i>October 1, 2007, and applicable to sales occurring on or after said date</i>	New section
Sec. 8	<i>July 1, 2007, and applicable to assessment years commencing on or after July 1, 2007</i>	12-81
Sec. 9	<i>October 1, 2007</i>	12-217

**ENV**      *Joint Favorable Subst. C/R*

GAE

**GAE**      *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

### **OFA Fiscal Note**

#### **State Impact:**

Agency Affected	Fund-Effect	FY 08 \$	FY 09 \$
Department of Environmental Protection	GF - See Below	See Below	See Below
Dept. of Administrative Services	GF - Cost	See Below	See Below
Resources of the General Fund	GF - Revenue Loss	None	See Below
Comptroller	GF - Uncertain	See Below	See Below
Department of Revenue Services	GF - Cost	See Below	See Below

Note: GF=General Fund

#### **Municipal Impact:**

Municipalities	Effect	FY 08 \$	FY 09 \$
All Municipalities	Revenue Impact	See Below	See Below

### **Explanation**

The bill requires that any car or light duty truck purchased by the state after January 1, 2008 have an efficiency rating in the top third of its class, and 50% of such cars and light duty trucks must be alternative fueled, hybrid electric or plug-in electric vehicles. As the state meets the federal requirement that 75% of cars and light duty trucks purchased must be alternative fueled, this provision has no fiscal impact.

Requiring that cars and light duty trucks purchased after January 1, 2008 must have an efficiency rating in the top third of all vehicles in its class could conflict with federal law requiring the purchase of alternative fueled vehicles (which are not always "efficient" as that term is defined in the industry). Non-compliance with federal law could subject the state to the risk of fines and penalties.

The bill also requires that cars and light duty trucks purchased by

the state after January 1, 2010 must have an efficiency rating in the top third of its class, and such cars and light duty trucks must be alternative fueled, hybrid electric or plug-in electric vehicles. There will be increased costs in FY 10 for the state to purchase cars and light duty trucks that are all alternative fueled, hybrid electric or plug-in electric.

The bill requires the Department of Environmental Protection (DEP) to study the potential for integrating motorized fleets into the cap and trade mechanism of the Northeast Regional Greenhouse Gas Initiative. It is estimated that the study will cost approximately \$75,000 for an outside consultant. The DEP is also required to study the availability of energy efficient lamps. This study is anticipated to cost approximately \$75,000 for an outside consultant. No resources are available for either study. Compiling a list of inefficient lamps, publication of the list and mailing the list is anticipated to result in a minimal cost to DEP. Future enforcement of the list, which would prohibit the sale by all retail and wholesale establishments in the state of all inefficient incandescent lamps, would result in an indeterminate increase in costs to DEP.

The bill establishes a ten cent surcharge on each sale of an incandescent lamp. The funds are to be remitted to the Comptroller and deposited to the Renewable Energy Investment Fund which is administered by the Connecticut Innovations, Inc. The amount of revenue that would be collected is indeterminate at this time. It is unclear at the present time how the surcharge will be remitted to the Office of the Comptroller. Therefore, any administrative costs associated are indeterminate at this time.

The bill excludes from net income, for purposes of calculating the corporation business tax, proceeds of a business's sale of greenhouse gas emission tax credits. This is expected to result in a revenue loss to the General Fund because it will reduce a business's income that is subject to the corporation business tax. An estimate of the impact cannot be determined since it is unknown the amount of income that is

realized from the sale of credits. However, if a sizable amount of credits are routinely sold by Connecticut corporations then the revenue loss to the state will be significant.

The bill is expected to result in a cost to the Department of Revenue Services of \$280,000 in FY 08 and \$125,000 in FY 09 to administer the tax provisions. The costs for the first year include one-time set-up and programming costs as well as ongoing cost for a Revenue Examiner and Systems Developer.

The bill requires the Connecticut Academy of Science and Engineering (CASE) to submit a report on climate change to the General Assembly on or before February 1, 2008. CASE is private non profit public service institution. The budget, sHB 7077 as favorably reported by the Appropriations Committee appropriates \$200,000 in both FY 08 and FY 09 to CASE for various scientific studies. It is anticipated that the DEP can consult on the study within resources if CASE conducts the study.

#### Municipal Impact

The bill allows towns to tax buyers of real property up to ½% of the consideration they pay in excess of \$150,000. Municipalities electing to impose this tax will experience a revenue gain that will be similar to the amount they currently receive from the local real estate conveyance tax.

The bill exempts hybrid passenger cars from the property tax. Municipalities will experience a loss to their net grand list (assessed value less exemptions permitted under state law) that will likely necessitate an increase in a municipality's mill rate or modifications to their budget to offset this loss.

#### ***The Out Years***

The annualized ongoing fiscal impact identified above would

continue into the future subject to inflation.

**OLR Bill Analysis****sSB 1432*****AN ACT CONCERNING GLOBAL WARMING.*****SUMMARY:**

This bill seeks to encourage energy conservation and reduce global warming. It

1. allows towns to tax buyers of real property up to one-half of 1% of the amount they pay over \$150,000, to be used for community preservation and investment;
2. imposes a 10 cent surcharge on the sale of incandescent light bulbs and bans, in 2010, the sale of incandescent light bulbs the Department of Environmental Protection (DEP) commissioner deems inefficient;
3. requires the state to purchase only hybrid electric, plug-in electric, or alternative fuel-powered vehicles for its motor vehicle fleet, starting January 1, 2010;
4. exempts from the property tax hybrid passenger cars bought on or after July 1, 2007;
5. excludes, on a five-year graduated schedule, proceeds from the sale of greenhouse gas emission credits from a business's net income when determining its corporation business tax;
6. requires certain studies on global warming; and
7. makes other minor changes.

**EFFECTIVE DATE:** Upon passage, except the property tax exemption for hybrid passenger cars takes effect July 1, 2007, and the



provisions on light bulbs and corporate business tax credits take effect October 1, 2007.

### **LOCAL OPTION CONVEYANCE TAX**

The bill creates a pilot program to allow towns to impose a buyer's tax of up to one-half of 1% on the amount over \$150,000 the purchaser pays for real property. The program applies to sales made between July 1, 2007 and September 30, 2012. Transfers made to preserve or maintain open space, forest, or farm land, including transfers between farmers and land trusts, are exempt.

The town retains the tax, which it must keep in a separate account. It may use it, if the DEP commissioner approves, for any of the following purposes:

1. buying or protecting open space forest, or farm land, either by itself or jointly with the state, federal government, or a land trust;
2. buying or protecting recreational land, including playing fields, beaches, and shoreline access;
3. buying or protecting interests in real property to establish access to public trust waters;
4. brownfield remediation;
5. buying property or development rights for affordable housing;
6. clean water, clean air, or clean energy projects; or
7. energy conservation projects.

### **INCANDESCENT LIGHT BULB SURCHARGE, LIST, AND BAN**

#### ***Light Bulb Surcharge***

The bill imposes a 10 cent surcharge, in addition to any applicable tax, on the sale of each incandescent light bulb between 40 and 100 watts, with a medium screw base, that operates at between 115 and 130

volts. Starting October 1, 2007, each retailer who collects the surcharge must remit it quarterly to the comptroller for deposit in the Clean Energy Fund.

***DEP List of Inefficient Light Bulbs***

It requires the DEP commissioner to (1) study the availability of compact fluorescent, halogen, and high-intensity discharge lamps at competitive prices for consumers and (2) compile a list of inefficient incandescent light bulbs. The commissioner, by April 1, 2008, must provide notice of the preliminary draft of the list on the DEP website and in a newspaper of general circulation. The notice must state when, where, and how interested people may comment on the preliminary list. The notice must apparently include a copy of the preliminary draft. The commissioner may revise the preliminary list in response to the written and oral comments.

No later than 65 days after publishing notice of the preliminary list, and at least 20 days before publishing the final list on its website, DEP must decide the contents of the final list and notify those who submitted written comments and requested notice of DEP's final decision. DEP must describe the contents of the final list in detail and explain its reasoning.

***Ban on the Sale of Inefficient Light Bulbs***

Retailers and wholesalers must stop selling listed bulbs no later than two years after DEP posts its final list. DEP must issue a written warning to any retailer or wholesaler who continues to sell listed bulbs beyond that date. Those who continue to sell listed light bulbs 30 days after being warned will be fined up to \$100 for each light bulb sold.

**STATE FLEET VEHICLE PURCHASES**

By law, the fleet average for cars and light-duty trucks purchased for the state must meet certain (1) mileage, (2) alternative fuel, and (3) carbon dioxide emission requirements.

In addition, the bill requires, starting January 1, 2008, that (1) any car or light-duty truck the state buys have an efficiency rating in the

top third of all vehicles in its class and (2) half the vehicles the state buys be hybrid electric, plug-in electric, or alternative fuel-powered vehicles. Starting January 1, 2010, the state must only buy cars and light-duty trucks that have such an efficiency rating and are either hybrid electric, plug-in electric, or alternative fuel-powered. As under existing law, cars and light-duty trucks purchased for law enforcement or other Department of Administrative Services-designated special uses are exempt from these requirements. By law, alternative fueled vehicles must be capable of operating on natural gas, electricity, or any other system (1) acceptable to the U.S. Department of Energy and (2) that uses fuel available in Connecticut.

### **GREENHOUSE GAS EMISSIONS TAX EXEMPTION**

The bill excludes from net income, for purposes of calculating the corporation business tax, portions of the proceeds of a business's sale of greenhouse gas emission credits, so that starting January 1, 2012, all such proceeds will be excluded. (Businesses are able to sell emission credits on such markets as the Chicago Climate Exchange.) The proceeds are excluded from net income according to the following schedule:

<b>For proceeds received from the sale on or after:</b>	<b>Percentage of proceeds excluded from net income</b>
January 1, 2008	20%
January 1, 2009	40%
January 1, 2010	60%
January 1, 2011	80%
January 1, 2012	100%

### **GLOBAL WARMING STUDIES**

The bill requires, by February 1, 2008, the Connecticut Academy of Science and Engineering, in consultation with DEP, to submit to the Environment Committee a written report on the effects of climate change in Connecticut and recommendations on how to respond. It requires the commissioner to (1) study the possibility of including motor vehicle fleets in the cap-and-trade mechanism of the Northeast Regional Greenhouse Gas Initiative (RGGI) and (2) submit to the Environment Committee, by January 1, 2008, written recommendations concerning the legislation needed to include these greenhouse gas sources. RGGI's cap-and-trade program targets power plant emissions.

## **STATE PLAN OF CONSERVATION AND DEVELOPMENT**

Current law requires the Office of Policy and Management (OPM) to include a goal for reducing carbon dioxide emissions in the state Plan of Conservation and Development. The bill specifies that this emissions goal must be in accord with the state's agreement with the Climate Change Action Plan adopted by the Conference of New England Governors and Eastern Canadian Premiers. It eliminates a requirement that OPM, in consultation with DEP, report triennially to the legislature on state carbon dioxide emissions.

## **BACKGROUND**

### ***Regional Greenhouse Gas Initiative (RGGI)***

RGGI, of which Connecticut is a member, is a multistate initiative to design and implement a flexible, market-based cap-and-trade program to reduce power plant carbon dioxide emissions in the northeast U.S.

### ***Cap-and-Trade Program***

Under a cap-and-trade program, states set the total amount of carbon dioxide emissions to be allowed from all sources (emissions cap). The emissions allowed under the new cap are then divided into individual permits that represent the right to emit that amount. Companies are free to buy and sell permits in order to continue operating in the most profitable manner available to them. Thus, companies that are able to reduce emissions at a low cost can sell their

extra permits to companies facing high costs (which will generally prefer to buy permits rather than make costly reductions themselves).

### ***Climate Change Action Plan***

The Climate Change Action Plan, adopted by the Conference of New England Governors and Eastern Canadian Premiers in 2001, set a short-term goal of reducing regional greenhouse gas emissions to 1990 levels by 2010, and to at least 10% below 1990 emissions by 2020. It set a long-term goal of reducing regional greenhouse gas emissions by at least 75%. PA 04-252 requires the state to take steps to reduce greenhouse gas emissions to help achieve these regional goals.

### ***Clean Energy Fund***

Connecticut Innovations, Inc. administers this fund, whose purpose is to promote investments in renewable energy resources, stimulate demand for them, and encourage their deployment

## **RELATED BILLS**

### ***State Fleet Vehicles***

sHB 7098, favorably reported by the Energy and Technology Committee, contains the same provision concerning state fleet vehicles.

sHB 7306, favorably reported by the Government Administration and Elections Committee, modifies fuel efficiency requirement for state fleet vehicles and increases the proportion of these vehicles that must be alternatively fueled.

### ***Property Tax Exemptions for Hybrid Vehicles***

sSB1374, favorably reported by the Energy and Technology Committee, allows municipalities to exempt hybrid motor vehicles and vehicles attaining at least 40 miles per gallon from the property tax.

sSB 1260, favorably reported by the Environment Committee, permits municipalities to abate by ordinance, in whole or in part, personal property taxes on hybrid passenger vehicles or motor vehicles exclusively powered by a clean alternative fuel.

**COMMITTEE ACTION**

Environment Committee

Joint Favorable Substitute Change of Reference

Yea 21 Nay 8 (03/21/2007)

Government Administration and Elections Committee

Joint Favorable Substitute

Yea 13 Nay 0 (03/28/2007)